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Report to the Honorable
William V. Roth, Jr., U.S. Senate

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# DEVELOPMENT ASSISTANCE

## Issues Concerning AID's Social Marketing for Change Program

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**General Accounting Office**
**Washington, D.C. 20548**

**National Security and**
**International Affairs Division**

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November 9, 1988

The Honorable William V. Roth, Jr.
United States Senate

Dear Senator Roth:

On July 15, 1988, you requested us to review several allegations concerning the Agency for International Development's (AID) Social Marketing for Change (SOMARC) program, a contraceptive marketing program for developing countries. Specifically, you were concerned that (1) an evaluation of SOMARC had been "sanitized" by AID to remove criticism, (2) a member of the evaluation team had a relationship with the SOMARC program that could be construed as a conflict of interest, and (3) SOMARC was not cost-effective, costing $25 to $60 per couple-year of protection compared with as little as $3 for similar programs.

The results of our review were as follows.

- Based on a comparative analysis of the draft and final evaluation reports and on interviews with the members of the evaluation team, we found no evidence that AID had sanitized the evaluation of the SOMARC program.
- A member of the evaluation team had been employed by SOMARC in the past and planned to work for a subcontractor in the future. While both AID's Population Office and the contractor responsible for the evaluation knew these facts and believed that the apparent conflict of interest would not bias the evaluation results, they failed to notify AID's Contracting Officer, who is responsible for reviewing and resolving such matters.
- The data used by critics of SOMARC to calculate cost per couple-year of protection understate contraceptive sales and overstate the program's costs in comparison with other contraceptive marketing programs. Corrected data suggest that the trend for SOMARC's cost per couple-year of protection has been consistent with those of other programs. However, we could not determine from the available data whether or not SOMARC is as cost-effective as other programs.

More details on the results of our review are in appendix I. The views of responsible AID officials were sought during the course of our work and have been incorporated where appropriate.

As arranged with your office, unless you publicly announce the contents earlier, we plan no further distribution of this report until 5 days from the date of the report. At that time we will send copies to the Administrator, Agency for International Development, and other interested parties and will make copies available to others upon request.

The principal staff members responsible for this review were Donald L. Patton, Group Director, and Jon M. Chasson, Evaluator-in-Charge.

Sincerely yours,

Nancy R. Kingsbury
Associate Director

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**Abbreviations**

| | |
|---|---|
| AID | Agency for International Development |
| CSM | Contraceptive Social Marketing |
| CYP | Couple-Year of Protection |
| ISTI | International Science and Technology Institute |
| SOMARC | Social Marketing for Change |

# Summary of Findings

## Background

The Agency for International Development (AID) funds more than 25 Contraceptive Social Marketing (CSM) programs in an effort to increase the use of contraceptives in third-world countries. Through CSM programs, AID contractors sell contraceptives to commercial distributors and retailers at reduced rates and develop promotional materials to encourage sales. CSM programs generally state their contraceptive sales output in terms of couple-year of protection (CYP), the amount of contraceptives needed to protect one couple for one year. The average cost per CYP is one measure of a CSM program's effectiveness.

In 1984, AID signed a 5-year, $21-million contract with The Futures Group to operate the Social Marketing for Change (SOMARC) CSM program. Under SOMARC, The Futures Group was to develop new contraceptive marketing projects in 5 to 10 countries. By the end of 1987, 4 SOMARC-sponsored projects had initiated contraceptive sales, and 6 additional marketing projects were under development.

In late 1987, AID's Population Office contracted with the International Science and Technology Institute (ISTI) to evaluate the performance of The Futures Group during the first 3 years of the SOMARC contract. ISTI's 4-member evaluation team conducted its fieldwork during December 1987, issued a draft evaluation report in January 1988, and issued a final report in March 1988. Although the evaluation team criticized certain aspects of the project, it concluded that SOMARC's management capabilities and administrative arrangements were generally very good and had led to the effective provision of services.

## Objectives, Scope, and Methodology

Our objectives were to determine the validity of various allegations raised by critics of the SOMARC program. Specifically, we sought to determine (1) if the evaluation of SOMARC had been "sanitized" by AID to remove criticism, (2) if a member of the evaluation team had a relationship with the SOMARC program that could be construed as a conflict of interest, and (3) if the SOMARC program costs $25 to $60 per couple-year of protection, compared with $3 for similar programs.

We made our review in Washington, D.C., during August and September 1988. We interviewed officials of AID's Population Office; The Futures Group; ISTI; and the Academy for Educational Development, a SOMARC subcontractor; and collected relevant documents for analysis. We also contacted other contraceptive marketing experts to discuss SOMARC's performance in comparison with other CSM programs. Our work was performed in accordance with generally accepted government auditing

standards. The views of responsible agency officials were sought during the course of our work and are incorporated where appropriate.

## No Evidence That Evaluation Draft Was "Sanitized" by AID

ISTI's draft evaluation report contained several criticisms of the SOMARC program. While both AID and The Futures Group were allowed to comment on the draft, none of the criticisms were substantially altered in the final report. Furthermore, according to ISTI staff and evaluation team members, the final report accurately reflects the views of the team and AID did not attempt to influence the content.

## Apparent Conflict of Interest Not Adequately Reviewed

We found that ISTI and the AID Population Office selected for the evaluation team a contraceptive marketing consultant whom they knew had worked for SOMARC in the past and planned to work for a SOMARC subcontractor in the future. AID contracting regulations require that a Contracting Officer review decisions involving apparent conflicts of interest. However, both the Population Office and ISTI failed to notify the Contracting Officer and no review was made.

Under its AID contract, ISTI had two responsibilities concerning the consultants it hired for the evaluation of The Futures Group's performance during the first 3 years of the SOMARC contract. First, ISTI was required to receive approval from AID's Population Office before hiring the consultants. Second, if ISTI recognized that a proposed consultant might be involved in a conflict of interest, it was to notify AID's Contracting Officer. The Contracting Officer was then to review the situation to determine whether additional action was needed to resolve the conflict.

While assembling its evaluation team, ISTI was aware of the marketing consultant's past relationship with the SOMARC program and his intention to work for the Academy for Educational Development, a SOMARC subcontractor, in the future.[1] As a member of the evaluation team, he would be evaluating elements of a program he had helped to implement and evaluating the performance of a potential future employer. However, ISTI officials believed that this consultant would perform an unbiased evaluation of the SOMARC program. They also believed that his marketing expertise and knowledge of the SOMARC program would allow him to complete an effective review in the time available. Therefore, ISTI

[1]Within 6 months of the evaluation, the consultant was hired by the Academy, with 50 percent of his salary funded through The Futures Group for SOMARC activities.

requested that AID's Population Office approve him as a member of the evaluation team.

The Population Office approved the consultant as an evaluation team member and actively recruited him for the assignment. When contacted by the Population Office, the consultant noted that, given his past and planned future relationship with SOMARC and the Academy, it might not be appropriate for him to evaluate SOMARC. However, a Population Office official assured the consultant that his relationship with SOMARC did not prevent him from serving on the evaluation team. The official also believed that, given the consultant's marketing expertise and high level of personal integrity, he would complete an effective and unbiased evaluation of the SOMARC program.

According to AID's Contracting Officer, this situation represented an appearance of a conflict of interest as defined in ISTI's contract with AID. AID's Population Office should have recognized the Contracting Officer's jurisdiction over conflict of interest cases and informed the Officer of the apparent conflict before approving and recruiting the consultant. Furthermore, the Population Office's approval of the consultant did not eliminate ISTI's contractual responsibility to report the potential conflict of interest to the Contracting Officer.

## SOMARC Costs and Outputs Not Accurately Stated

We found that the data used by critics to calculate SOMARC's cost per CYP understate contraceptive sales and overstate costs in comparison with other contraceptive marketing programs. Adjusted data suggest that SOMARC's CYP cost trend has been consistent with those of similar programs, although the available data are not sufficient to determine if SOMARC is as cost-effective as other programs.

Critics of the SOMARC program provided us with data that showed SOMARC's cost per CYP to be between $25 and $60. They had calculated this cost range by dividing an estimated 5-year program budget, $16.8 million[2], by SOMARC's total contraceptive sales for its new program as reported by ISTI. Because sales data for 1988 and 1989 were not available, they used "conservative" and "optimistic" sales estimates. The resulting output range is shown in table I.1.

[2]The calculations assumed that 80 percent of SOMARC's $21-million budget ($16.8 million) was spent on new marketing projects. The remainder was assumed to be spent on technical assistance to AID missions, research and evaluation, and other contractually required program operations.

Table I.1: SOMARC Contraceptive Sales[a]

| Year | Sales "optimistic" | Sales "conservative" |
|---|---|---|
| 1985 | 0 | 0 |
| 1986 | 47,400 | 47,400 |
| 1987 | 119,300 | 119,300 |
| 1988 | 200,000[b] | 55,540[b] |
| 1989 | 300,000[b] | 55,540[b] |
| **Total** | **665,700** | **277,780** |

[a]Sales expressed in couple-years of protection

[b]Estimated

The estimated 5-year program budget, $16.8 million, was divided by the "optimistic" and "conservative" sales estimate totals to calculate the CYP cost range of $25 to $60.

Although we did not verify all of the data used to generate SOMARC's CYP cost range, the conservative scenario understates the program's contraceptive sales. This scenario assumes that sales will drop by over 50 percent between 1987 and 1988. However, SOMARC reported that its new projects generated sales equivalent to about 90,000 CYP during the first half of 1988, already surpassing the 55,540 CYP anticipated under the conservative scenario. The $60 cost per CYP is an excessively high estimate, and the optimistic scenario appears to more accurately reflect actual program performance.

The data also overstate SOMARC costs in comparison with other CSM programs. While SOMARC's costs are stated as averages for 5 years, other programs calculate costs on a year-by-year basis only. Therefore, to standardize the data for comparison, SOMARC's cost and output data would be more accurately stated on a year-by-year basis as well.

We obtained annual expense estimates from the SOMARC program office. Because segregated data for SOMARC's new CSM projects were not readily available, we continued to assume that such programs account for 80 percent of SOMARC's budget. Table I.2 compares annual sales data with estimated annual program costs.

**Table I.2: Revised SOMARC Cost Per Couple-Year of Protection**

| Year | Sales Output in CYP | Program Cost | CYP Cost |
|---|---|---|---|
| 1985 | 0 | $2,250,000 | $ • |
| 1986 | 47,400 | 3,740,000 | 79 |
| 1987 | 119,300 | 3,460,000 | 29 |
| 1988 | 200,000[a] | 5,400,000 | 27 |
| 1989 | 300,000[a] | 2,890,000 | 10 |

[a]Estimated

The revised data in table I.2 suggest that SOMARC's cost per CYP, while initially very high, declined significantly from 1986, the first year of sales. We found that this cost trend is consistent with the general performance of other contraceptive marketing programs. New programs usually have high costs per CYP during the first years, but these costs decline as contraceptive sales increase.

While adjusted data suggest that SOMARC's cost trend has been consistent with those of other CSM programs, the data are not sufficient to evaluate SOMARC's cost-effectiveness in comparison with other programs. Such an evaluation would require analyses of the specific characteristics of each country project, because the rate of decline in cost per CYP for any CSM program can be affected by project size, a country's level of development and general economic conditions, government policies and regulations, and the effectiveness of project management.

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